

NEWS RELEASE

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DeNUCCI SAYS BIG DIG CAN CUT \$58 MILLION BY USING EXCESS INSURANCE PAYMENTS

State Auditor Joe DeNucci, in the first of two reports released today on the Big Dig, said the project should use \$58 million in excess insurance premium payments to cut costs instead of holding onto the funds until the year 2017 as currently planned.

To date, DeNucci has issued nine interim reports on the Central Artery project identifying almost \$270 million in wasteful and unnecessary expenditures.

DeNucci's audit on the insurance money revealed that the project paid \$146 million in workers' compensation and general liability premiums more than was needed to cover its insurance obligations from 1992-96. Investment income of \$29 million was earned on these overpayments, bringing the excess funding to \$175 million.

The project plans to use approximately \$117 million of this amount by October 1999 to pay for or offset insurance costs. However, it intends to keep the remaining \$58 million in insurance trust accounts until 2017, long after the project has been completed. DeNucci, citing the constantly escalating price tag of the Big Dig, said this is unnecessary.

"I find it curious that the Big Dig would let \$58 million sit untouched for the next 20 years when the project faces a major funding shortfall," DeNucci said. "Instead, the project should use this money for current costs and to reduce the need for borrowing, which would save \$21 million in debt service payments."

Although Big Dig officials contend the money should be held in reserve to cover potential future claims, DeNucci said this is unnecessary because the project's insurance costs already take into account actuarially projected losses.

In the other report, DeNucci said \$10 million in Big Dig construction expenses could have been avoided if the Massachusetts Highway Department (MHD) and its management consultant had exercised better controls over design and construction contractors doing the work linking the Third Harbor Tunnel with Logan International Airport.

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In an attempt to protect the Bird Island Flats construction site from Boston Harbor water leaks, the project paid out \$2.4 million for construction changes that proved to be inadequate and caused delays in the contractor's work schedule.

The Highway Department, fearing that the Third Harbor Tunnel would not open on time, then issued a \$7.6 million change order to accelerate the job, pay for delay costs, reduce the water leaks and do other excavation repair work.

Although it has been at least two years since these contracts were completed, MHD has yet to determine responsibility for the extra costs associated with the contractors' inability to design and construct a watertight work environment.

In response, the project's director said the Highway Department went ahead with advertising the tunnel contracts because delays would have jeopardized more than \$400 million in federal funding. But DeNucci said this is not a valid excuse.

"The Highway Department had plenty of time to ensure that an acceptable design had been developed before it awarded the tunnel contracts," DeNucci said. "Better management could have saved the taxpayers as much as \$10 million."

In 1989, it was estimated that the Big Dig would be completed in 1998 at a cost of \$4.4 billion. Now, the project's completion date is set at 2004 and the U.S. General Accounting Office says the tab could soar to \$11.6 billion or even higher if aggressive cost containment goals are not met.

